

SENATE BILL REPORT

SB 5007

As Reported by Senate Committee On:
Financial Institutions & Insurance, January 19, 2017

Title: An act relating to surplus line broker licensing.

Brief Description: Addressing surplus line broker licensing.

Sponsors: Senators Angel and Mullet; by request of Insurance Commissioner.

Brief History:

Committee Activity: Financial Institutions & Insurance: 1/17/17, 1/19/17 [DPS].

Brief Summary of Substitute Bill

- Requires surplus line brokers to obtain an insurance producer license.
- Allows surplus line brokers moving to Washington up to 90 days to apply for a license without having to take the state exam.

SENATE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

Majority Report: That Substitute Senate Bill No. 5007 be substituted therefor, and the substitute bill do pass.

Signed by Senators Angel, Chair; Mullet, Ranking Minority Member; Fain, Hobbs and Kuderer.

Staff: Jeff Olsen (786-7428)

Background: If insurance coverage cannot be purchased from an authorized insurer, a person may purchase coverage through a surplus line. Surplus line policies cover risks that do not fit normal underwriting patterns or standard insurance policies. Examples of surplus line insurance include insuring homes built on the side of a steep bank, rare art, or businesses that pose a high liability risk. Surplus line coverage may be purchased from an unauthorized insurer, only if the purchaser buys the insurance through a licensed surplus line broker.

A Washington resident may apply to the Office of the Insurance Commissioner (OIC) to obtain a surplus line broker license. An applicant for a resident surplus line broker license must furnish specified information to the OIC, including a criminal history background and

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fingerprints. An applicant for a resident surplus line broker license is not required to maintain a license as a resident insurance producer with property and casualty lines of authority.

For nonresidents, the OIC may license a person as a surplus line broker if the person is qualified and the person's resident state reciprocates by issuing licenses to residents of this state on a similar basis. To be eligible for a nonresident surplus line broker license, a nonresident person must generally meet the same qualifications as a resident applicant for a surplus line broker license. However, the nonresident person is not required to submit fingerprints with the license application for a background check.

Summary of Bill (First Substitute): An applicant for a resident surplus line broker license must have and maintain a license from the OIC as a resident insurance producer with property and casualty lines of authority. Each applicant for a resident surplus line broker license must pass the required examination and pay the required fee when applying for a license.

If a nonresident licensed as a resident surplus line broker in another state moves to this state and seeks licensure as a resident surplus line broker in this state, then the examination requirement is waived if the application is received by the OIC within 90 days of the cancellation of the surplus line broker's resident license in the other state. The exception for nonresidents seeking licensure to not submit fingerprints is removed.

EFFECT OF CHANGES MADE BY FINANCIAL INSTITUTIONS & INSURANCE COMMITTEE (First Substitute): Adds an effective date of January 1, 2018.

Appropriation: None.

Fiscal Note: Available.

Creates Committee/Commission/Task Force that includes Legislative members: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony on Original Bill: *The committee recommended a different version of the bill than what was heard.* PRO: The changes proposed in the bill contain uniform and reciprocal standards adopted by national organizations and a model act, which will better align regulations with other states and improve reciprocal agreements. The bill requires a resident surplus line broker to have a producer license, and puts into statute an educational requirement that is required by rule. Non-resident surplus line brokers who are relocating to Washington are exempt from exam requirements if they apply for their license with 90 days. Non-resident surplus line brokers may be licensed in Washington if their state reciprocates licenses on the same basis to Washington licensees.

Persons Testifying: PRO: Lonnie Johns-Brown, Office of the Insurance Commissioner.

Persons Signed In To Testify But Not Testifying: No one.